



Rating Rationale

Advant IT Park Pvt. Ltd.

August 29, 2017

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 272.07 Crs of Advant IT Park Pvt. Ltd.

Particulars:

Facility	Amount (In Crs)	Tenor	Rating*
Lease Rental Discounting	185.00	Long Term	BWR BBB- (SO) (Pronounced Triple B Minus (Structured Obligation)) /Outlook: Stable
Term Loan	87.07		BWR BB (Pronounced Double B)/Outlook: Stable
Letter Of Credit	(15.00)	Short Term	BWR A4 (Pronounced BWR A Four)
Total	272.07	(INR Two Hundred Seventy Two Crores and Seven Lakhs Only)	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY16, provisional up to FY17, publicly available information and information/clarifications provided by the company.

The rating draws strength from experienced promoters in the real estate business along with occupancy (100% leased) by renowned brands like Samsung, SunGard, KPMG, BHEL, British Council, Qualcomm, Exponential, etc. The rating also takes into account Long Term Lease contracts reflecting revenue stability, high profit margins and locational advantage- Noida is very crucial city for IT/ ITES industry and is very popular among companies for their operations.

The rating captures the rental escrow mechanism put in place for the rated loan programme whereby rentals are directly deposited into escrow account and utilised first for debt servicing before release of any surplus cash flows towards other requirements of the company.

The rating, however, remains constrained by high indebtedness coupled with average debt coverage indicator. Also, yet to achieve financial closure in Tower C. The rating is further constrained by Lease Renewal Risk and absence of DSRA for the rated LRD loan which can absorb any short-term mismatches in rental receipts.

Going forward the ability of the company to maintain sustainable revenue growth and timely completion of Tower C shall remain key rating sensitivities.

August 29, 2017



Key Rating Drivers:

Advant IT Park Private Limited was incorporated in 2004 with an objective of developing one IT/ITES project in NOIDA Region under the name Advant Navis Business Park, and has constructed Tower-A & Tower-B with 8,70,000 sq. ft. of Super Area. Towers are mainly leased to renowned Brands, like Samsung, SunGard, KPMG, BHEL, British Council, Qualcomm, Exponential, etc.

Further, the company is in the process of developing the Tower C of the project at a total project cost of Rs. 170.77 crore. The said project is being funded by a debt of Rs. 87.07 crore and balance by equity. As the project is at a nascent stage with ~ 30% of the project cost incurred till July 2017, it involves execution, funding as well as marketing risks. The funding risk is mitigated primarily by tie-up of adequate construction debt as well as excess amount of LRD loan sanctioned against Tower A & Tower B leases, which is proposed to be used as margin money for part funding of the project cost.

The company is promoted by Mr. O.P. Arora, Mr. P.R. Batra and Mr. Sunil Sharma. Mr. O.P. Arora is also the President and CEO of AOV Group of Companies with a strong presence in Finance, Exports, Food Processing, Textile and Engineering industry. Mr. Sharma has a Bachelor of Technology degree in Mechanical Engineering from the Indian Institute of Technology (IIT) and has more than 16 years of experience in the Offshore Outsourcing Industry. Mr. P.R. Batra is also the promoter of Buniyad Group and has more than 20 years of experience in construction and real estate industry. They are ably supported by efficient team of qualified personnel.

The BWR BBB- (SO) (Stable) rating, assigned to the Rs. 185 -crore bank facilities of the company, is backed by the lease rentals of Tower A & B of IT/ITES (Information Technology/Information Technology Enabled Services) developed by the company with a area of 0.86 million sq. ft. The rating captures the rental escrow mechanism put in place for the rated loan programme whereby rentals are directly deposited into escrow account and to be Utilized in order of priority as agreed by the lenders. The SO rating is, thus, specific to the Lease Rental Discounting (LRD) loan and does not factor in cash flow adequacy for the company as a whole. Nevertheless, the rating favourably factors in the strong occupancy level in Tower A & B, its strong tenant profile, high profit margins and presence of a lock-in period for all lease agreements put in place.

Receipt of rentals in a timely manner on a monthly basis would determine the company's ability to service debt obligations in a timely manner, particularly in the absence of a Debt Service Reserve Account (DSRA) mechanism.

The BWR BB (Stable) rating is assigned for company's Rs. 87.07 -crore bank facilities, for part funding the cost of the Tower C of the IT/ITES project, considering that the tower C is at a nascent stage at present and is exposed to execution as well as funding risks. Further, timely lease out of Tower C is also critical. In this context, presence of a three-year moratorium from the date of Disbursement and contribution from the promoters in the project provides comfort.



Thus, with respect to Tower C, the company's ability to complete and fully lease out Tower C project in a timely manner, so as to ensure tie-up of adequate amount of LRD loan before the bullet repayment of construction loan becomes due, will be a critical determinant of its credit profile. However, the company's demonstrated ability to refinance the construction loan for Tower A & Tower B of the project with an LRD loan is a comforting factor.

Analytical approach: Due to the creation of rental escrow mechanisms for the rated loan programme backed by lease rentals, the cash flows of the rated loan would be ring-fenced from the overall cash flows of the company. Hence the SO rating primarily factors in the cash flow adequacy for the rated loan alone and not for the entity as a whole.

Rating Outlook: Stable

BWR believes that Advant IT Park Pvt. Ltd.'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company is able to increase its margin and timely complete the Tower C . The rating outlook may be revised to 'Negative' if the gearing position deteriorates any further.

Company's Financial Performance:

Key Financial Figures			
Particulars	Unit	FY16 (A)	FY17 (UA)
Operating Income	Rs. Crores	50.08	58.44
EBITDA	Rs. Crores	34.72	34.57
PAT	Rs. Crores	8.73	9.06
Tangible Networth	Rs. Crores	25.62	34.08
Total Debt	Rs. Crores	147.9	198.81
Total Debt : Equity	Times	5.77	5.83
Current Ratio	Times	1.45	2.49

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Aug 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1	Lease Rental Discounting	Long Term	185.00	BWR BBB-(SO)	NA	NA	NA
2	Term Loan	Long Term	87.07	BWR BB	NA	NA	NA
3	Letter Of Credit	Short Term	(15.00)	BWR A4	NA	NA	NA

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)
- [Short Term Debt](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.



BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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